

**CITY OF ABBEVILLE,
SOUTH CAROLINA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

**City of Abbeville
Assistant City Manager and Finance Department**

CITY OF ABBEVILLE

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INTRODUCTORY SECTION



City of Abbeville

P.O. Box 40 • Abbeville, S.C. 29620 • 864-459-5017

FRAN L. STRICKLAND
Finance Director

January 23, 2009

Honorable Mayor, Members of City Council, City Manager,
and Citizens of the City of Abbeville, South Carolina:

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. This comprehensive annual financial report of the City of Abbeville (City) is published to fulfill that requirement for the fiscal year ended October 31, 2008.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by McKinley, Cooper & Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended October 31, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended October 31, 2008, are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Abbeville MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, chartered in 1756 and incorporated in 1832, is located in the southwestern region of South

Carolina and is the last major city along the S.C. Highway 72 corridor west to the Georgia state line and Lake Russell. The City of Abbeville is the largest city in Abbeville County and serves as the county seat. The City currently occupies a land area of 5.89 square miles and serves a population of approximately 6,000. The City of Abbeville is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing council.

The City of Abbeville operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's manager, municipal judge and city attorney. The government's manager is responsible for carrying out policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The Council is elected through a non-partisan election process. Council members serve four-year staggered terms, with four council members elected every two years. The mayor is elected to serve a four-year term. The eight members of council are elected from single member districts and the mayor runs at large. In March 2004, the council approved a change from the plurality method of election to the run-off method.

The City provides a full range of services, including: police and fire protection; sanitation services; the maintenance of streets, sidewalks, storm drainage and other infrastructure; and recreation activities. In addition to general government activities, the City provides electrical generation and distribution, water treatment and distribution, and wastewater collection and treatment.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City of Abbeville are required to submit requests for appropriations to the City Manager in the Summer of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than October 31, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the department level. The City Manager is authorized to transfer budgeted amounts within departments, but not between departments, up to \$5,000, as necessary or in case of emergency, and City Council must be informed of such transfers at the next Council meeting. The City Manager shall also inform City Council at its next meeting of any expenditure over \$500 from any miscellaneous non-line item account. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the basic financial statements for the governmental funds.

Factors Affecting Financial Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The City of Abbeville is located within a fifty-mile radius of three major interstates. Interstate Highway 85 is located approximately 35 miles to the north, I-26 is approximately 35 miles to the east, and I-20 is approximately 50 miles to the south of the City. Located within a 25 to 35 miles radius is Hickory Knob State Park, which attracts visitors who contribute to trade in the area and Savannah Lakes Village, a planned resort community with some 4,000 sites. As such, the City of Abbeville is able to reap significant economic benefits beyond those provided by its modest population.

The City hosts the Abbeville Opera House, which, along with the Historic District, is a significant attraction in the region. Approximately 34,000 tickets are sold to sell-out crowds annually in the elegant, turn-of-the-century setting. Frequently, visitors will combine an afternoon and evening of dinner, shopping, a play and then dessert and coffee afterwards. Tourists are also drawn to the historic aspects of the town as Abbeville claims to be the birthplace and deathbed of the confederacy purporting that on May 2, 1865, Jefferson Davis held the last meeting of the Confederate War Council at the Burt Stark Mansion which is now a national historic landmark. Other significant historical sites include the Trinity Episcopal Church, built in 1860, the Cresell Log Cabin, and the Belmont Inn, a renovated hotel originally constructed in 1902, as well as many other historically designed buildings and homes.

Abbeville is part of the South Carolina Heritage Corridor in which several communities pool their resources to promote the area through stewardship of natural, cultural and historic resources. The Corridor runs from the mountains through the state to the sea and in October, 1996, won designation as a "National Heritage Area" under the Parks Bill making it one of only fourteen in the country.

The town square portrays a quaint Charleston style façade as each of the stores have been renovated over the years to resemble the original look at the turn of the century. A variety of businesses are located on the square providing locals and tourists with a myriad of gift shops, antique stores, and restaurants located throughout the square area. The County Courthouse is located on the square, alongside the Opera House, boosting incoming business traffic during the day.

The county hospital is located in the city along with new elementary and middle school facilities as well as a newly renovated highschool. Piedmont Tech, a two year technical school located in Greenwood, fifteen miles away, has located a satellite facility for higher and continuing education just outside the City of Abbeville. Two four-year colleges, are located within a fifteen minute drive. Erskine College, located in Due West, is a private liberal arts institution and seminary. Lander College, located in Greenwood, is a state supported college. Both host fine arts series, which complements the cultural atmosphere of the area.

Abbeville is home to several industries including Milliken which has two plants in the area, one of which is located inside the city limits. Along with many other national industries, two international companies reside just outside the city limits one being Italian manufacturer, Prysmian Cable (formerly Pirelli Cable), and the other Flexible Technologies, an English company who has its United States headquarters office located here.

Prysmian is a global leader in power and telecommunication cables and systems. In 2008 Prysmian invested \$35 million to expand its manufacturing operations at the Abbeville location. The new facility will consist of the art Vertical Continuous Vulcanization process and is housed in a 325 foot tower adjacent to its existing medium and low voltage power cable manufacturing facility. This expansion will allow the company to produce high and extra-high voltage power cables and will further reinforce its market position in North America.

Flexible makes hosing and rigid tubing to heat and move liquids in airplanes, medical devices and other industrial machines. In February 2009, the company announced plans for a \$5 million expansion that could possibly create up to 200 new jobs.

Long-term Financial Planning

CountyWide Water System – The City utilizes its excess potable water production capacity by selling finished water to the town of Calhoun Falls, a municipality of 2,300 population, located approximately 13 miles west of Abbeville. The 16-inch transmission line has the capacity of 4 million gallons per day. The waterline follows the route of Highway 72 and can provide service to all contingent sites between the two municipalities. In addition, construction of a sixteen-inch waterline between Abbeville and the town of Due West allows the City to provide wholesale water to the Donalds-Due West Water Authority (DDWWA). The line connects to the City's new 750,000 gallon water tank at the 72 Industrial Park.

Widening of Highway 72 – Construction was completed during 2007 for the widening of state-owned Highway 72 through the city. The project included the construction of a new railroad bridge over Highway 72. The City completed the relocation of all city utility services located within the highway right-of-way inside the city limits. This project was part of a larger plan to widen the highway from the Georgia state line at Lake Russell to Interstate 26 at Clinton, South Carolina, thus providing an alternate four-lane route to Atlanta, relieving traffic congestion on Interstate 85. The increased traffic to the Abbeville area increases the City's potential of economic growth.

Lakelands Commerce Center - In its effort to attract new industry to the Abbeville area, Abbeville County implemented "ready-to-go" industrial sites which included grading of lots, site preparation, new signage, roads and lighting and water/sewer improvements in the 72 Industrial Park. The 130 acre park also contains a 142,000 square foot building constructed in 2000. The remaining 95 acres are available for purchase and offers many advantages to industry with its 750,000 gallon water tower and four lane highway access to Interstates 85 and 26. The City has the capability of providing water to the park as it currently does to the Abbeville Industrial Park.

Relevant Financial Policies

The investment goal of the City is to maintain adequate cash to meet current obligations and to invest in those legal securities that maximize earnings and protect principal. Monies that are not required on a short-term basis are invested in compliance with the guidelines of the South Carolina Code of Laws 6-5-10. The City maintains interest bearing checking accounts to maximize its interest earning capability on funds required to meet short-term operational expenses. Periodic reviews of deposits are made with financial institutions used by the City to ensure that deposits over \$100,000 (insured limit of federal depository insurance) are collateralized. Cash available for investing during the year was invested in obligations of the U.S. government and its agencies, and the State of South Carolina Local Government Investment Pool.

Major Initiatives

Historic Preservation Ordinance – The City adopted an ordinance in 2006 to protect, and preserve the unique characteristics and architectural heritage of the City's historical district. The new district encompasses the Square and the buildings surrounding it. In addition, the ordinance will provide for the educational, cultural, and general welfare of the residents of the City as well as stabilize and improve property values and strengthen the local economy. City of Abbeville Historic Properties Commission that consists of seven members appointed by City Council and will have the power and duties as provided in the S.C. Code, Title 6, Chapter 29, Section 870 et seq. The Commission will monitor all currently designated historic district properties and approve or disapprove modifications to structures, modifications to landscape features, and all new construction within the Historic District including demolition of such properties. The Commission will also be empowered to recommend the designation of additional individual historic properties for inclusion into the Historic District. Finally the Commission will be assigned the purpose of educating the public about preservation, restoration and history of the community. The Commission adopted interim design guidelines in 2007, and will be working to draft and adopt a permanent set of guidelines in 2008.

Streetscape Improvement Project – (**Phase I**) In September 2003 the City was awarded a \$200,000 transportation enhancement grant to replace existing light and/or power poles with standardized steel utility poles and decorative vintage type street light fixtures. South Main Street, leading to the historic square, was equipped with 25 new poles and 31 decorative lights and 47 decorative poles were lined down Greenwood Street in early 2008. All wiring is underground where possible to enhance the appearance of Highway 72 and improve the entrance to the historic square. (**Phase II**) In 2004 the City was awarded additional grant funds in the amount of \$200,000 through the streetscape program to replace sidewalks, add brick paver accent paving, new brick crosswalks, new curb ramps for improved handicap accessibility, new period street lights, new street trees and iron tree grates. The City completed this section of the North Main Streetscape Project in 2007. (**Phase III**) In 2006 the City was awarded additional grant funds in the amount of \$200,000 through the streetscape program to continue the Phase II project to Washington Street which is

a major component of an entrance to the Historic Square. The City began work on this final phase in 2007 and hope to complete the project in 2009. **(Phase IV)** A major component of the City's redevelopment work in the downtown area will be a streetscape enhancement project that will transform the appearance of Trinity Street, provide for safer pedestrian travel, and promote further private investment. In conjunction with the streetscape project, the City will also complete renovation of the historic Livery Stable on Trinity street. The Livery Stable, once completed, will serve as a multi-use facility that can host any number of events including private parties, farmer's markets, and special events. The first three phases of streetscape work in the downtown area utilized grant funding from the South Carolina Department of Transportation, but the Trinity Street Enhancement Project will be funded by the newly adopted 2% Hospitality Tax. The renovation of the Livery Stable will utilize funding from a second National Heritage Corridor Grant that the City was awarded in 2008, and the remainder of the funding will come from general revenues and the Hospitality Tax. These two projects will represent the first two major projects to be funded with Hospitality Tax funds.

Cambridge Street Housing Rehabilitation – In 2007 the City was awarded a \$500,000 Community Development Block Grant as part of the neighborhood revitalization initiative set forth by Title I of the Housing and Community Development Act of 1974 to conduct a housing rehabilitation project in the Cambridge Street neighborhood. The project will include the demolition of one abandoned structure and the renovation of 12 other homes. The grant requires a cash match of 5% from the City. In addition, the City agreed to provide an additional cash match of \$5,000. Upper Savannah Council of Governments will be administering the grant and overseeing the project for the City. The project is expected to be completed by spring of 2009.

Parks Improvements –Construction on a first rate playground was begun in 2007 at the Pete Smith Complex with over \$40,000 raised by donation from the community through the sale of engraved bricks and sponsorships. Additional funding came from the City of Abbeville, Abbeville County and state PARD grants. The playground features two play areas, an open air picnic shelter and park benches. The playground for small children includes a sand surface, while the playground for older children has a wood chip base, making it handicapped accessible. Fencing around the playground, a covered picnic shelter, additional playground equipment, trees and shrubs along the fence were added in 2008.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Abbeville for its comprehensive annual financial report for the fiscal year ended October 31, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement award, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report, with contents which conform to GFOA program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Certificate awarded for fiscal year ended 2007 marks the seventeenth consecutive year the award has been received by the City of Abbeville. We believe that this comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Assistant City Manager and Finance Departments as well as the City's independent auditors, McKinley, Cooper & Company, LLP. Their assistance provided in the preparation of this report is sincerely appreciated.

In closing, without the guidance, leadership, and support of the City Manager, Assistant City Manager, Mayor, and City Council, preparation of this report would not have been possible.

Respectfully submitted,

Fran L. Strickland

Fran L. Strickland
Finance Director

CITY OF ABBEVILLE, SOUTH CAROLINA

**PRINCIPAL OFFICERS
OCTOBER 31, 2008**

Mayor

Harold E. McNeill

Mayor Pro Tem

Bertha D. Crawford

City Council Members

Annetta F. Thomas

Fred V. Peeler

Santana D. Freeman

Spencer G. Sorrow

Augustus E. Wilson

Lee C. Williams

Joseph E. Seawright

City Manager

Nolan L. Wiggins, Jr.

Assistant City Manager

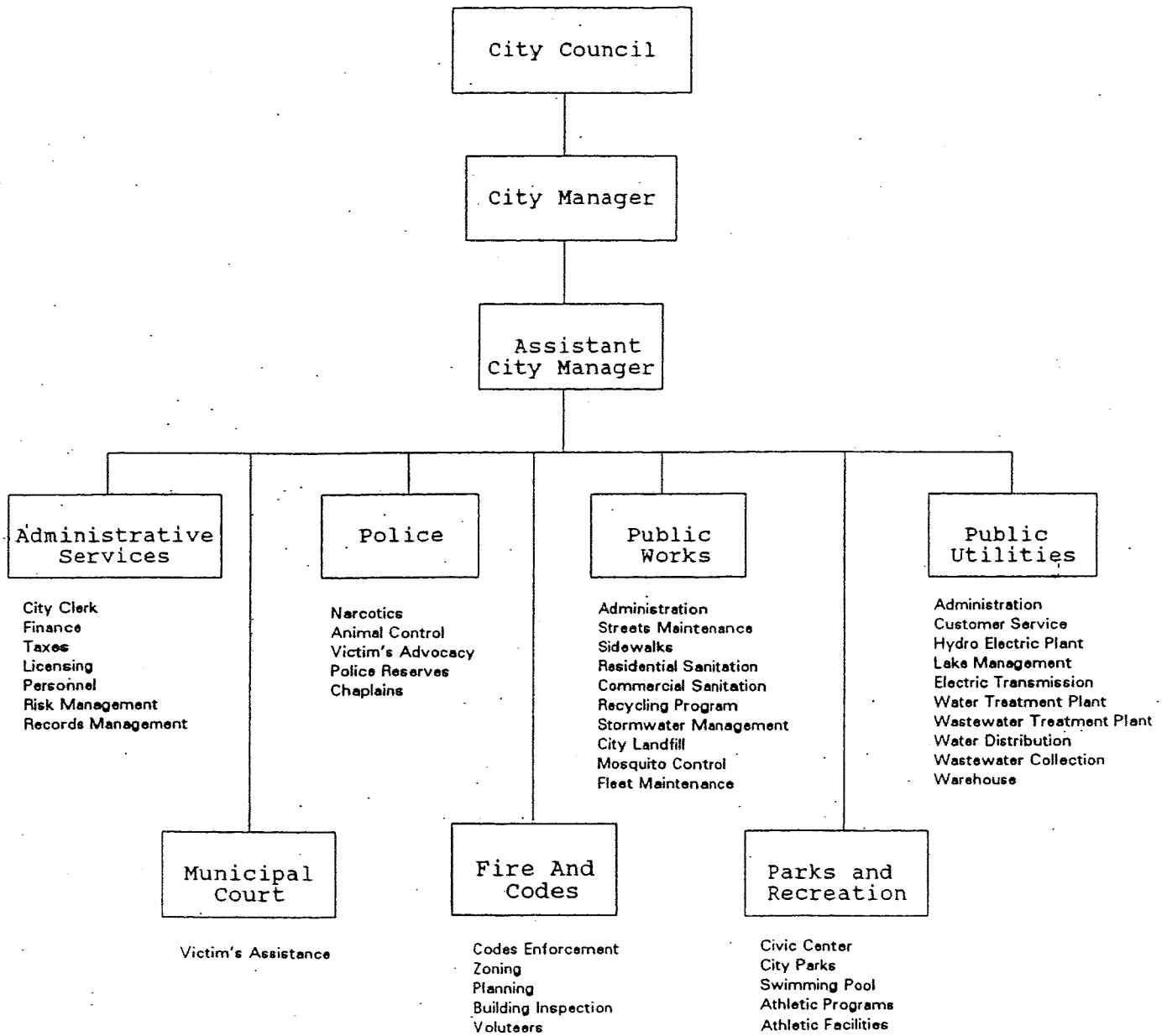
Ashley T. Ramey

Finance Director

Fran L. Strickland

CITY OF ABBEVILLE

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Abbeville
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
October 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION



McKINLEY, COOPER & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Toni R. McKinley
Robert C. Cooper

INDEPENDENT AUDITOR'S REPORT

Members
American Institute of
Certified Public Accountants
S.C. Association of
Certified Public Accountants

Honorable Mayor and Members of City Council
City of Abbeville
Abbeville, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Abbeville as of and for the year ended October 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Abbeville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Abbeville as of October 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Budgetary Comparison Information, as listed in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Abbeville's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, general fund schedule of expenditures by department- budget and actual, comparative major fund schedules, fines, assessments and surcharges schedule, and statistical tables as listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, general fund schedule of expenditures by department- budget and actual, comparative major fund schedule and fines, assessments, and surcharges schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Mayor and Members of City Council
City of Abbeville
Page Two

The introductory section and statistical tables have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McKinley, Cooper & Co., LLP

January 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Abbeville's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended October 31, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at October 31, 2008 by \$11.5 million (net assets). Of this amount \$2.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations.
- The City repaid \$6,762,748 of bonds, notes and capital lease payables during the year. The City issued 2008 Series Revenue bonds for \$5,705,000 to repay the 1998 Series Revenue bonds.
- The City issued other new debt during the year consisting of \$286,734 in capital lease obligations.
- The City's total net assets decreased \$542,257 during the course of this year's operations. Net assets of our business-type activities decreased \$511 thousand; net assets of our governmental activities increased \$31 thousand.
- During the year, the City's general fund balance increased \$89 thousand or 12 percent.
- In the City's business-type activities, net assets decreased due to the excess of expenses over revenues.
- The general fund actual revenues were \$78 thousand less than budgeted due mainly to intergovernmental revenues, and general fund expenditures were \$131 thousand less than budgeted.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the landfill.
 - *Fiduciary fund* statements provide information about resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that of the proprietary funds.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of City of Abbeville's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except Fiduciary funds)	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private businesses.	Instances in which the City is the agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All agency assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets - the difference between the City's assets and liabilities - is one way to measure the City's financial health, or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities* - Most of the City's basic services are included here, such as the police, fire, public works, and parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
- *Fiduciary funds* - The City acts as agent, or *fiduciary*, for other entities resources. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Net assets

The City's combined net assets decreased \$542,257 or 4.5 percent between fiscal years 2007 and 2008. (See Table A-1.) By far the largest portion of the City's net assets (75%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Abbeville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
City of Abbeville's Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	2007-2008
Current and other	\$ 1,303	\$ 1,437	\$ 3,702	\$ 2,874	\$ 5,005	\$ 4,311	(13.8)%
Capital assets	3,137	3,166	12,792	12,427	15,929	15,593	(2.1)%
Total assets	4,440	4,603	16,494	15,301	20,934	19,904	(4.9)%
Long-term debt	503	597	6,603	5,744	7,106	6,341	(10.7)%
Other liabilities	494	594	1,287	1,464	1,781	2,058	15.5%
Total liabilities	997	1,191	7,890	7,208	8,887	8,399	(5.5)%
Net assets							
Invested in capital assets, net of related debt	2,518	2,446	5,653	6,159	8,171	8,605	5.3%
Restricted	-	-	797	456	797	456	(42.7)%
Unrestricted	925	966	2,154	1,478	3,079	2,444	(20.6)%
Total net assets	<u>\$ 3,443</u>	<u>\$ 3,412</u>	<u>\$ 8,604</u>	<u>\$ 8,093</u>	<u>\$ 12,047</u>	<u>\$ 11,505</u>	(4.5)%

Net assets of our business-type activities decreased by 5.9 percent to \$8.093 million. In addition, the net assets of our governmental activities increased \$64 thousand or 1.8 percent due mostly to lower than expected expenses of the public works department.

Changes in net assets. The City's total revenues decreased by 2.9 percent to \$12.3 million. (See Table A-2.) Only about 10 percent of the City's revenue comes from property taxes. Fees charged for services account for about 84 percent, and in fiscal year 2008, 2 percent came from grants.

The total cost of all programs and services increased approximately \$1.4 million or 12.4 percent. The City's expenses cover a range of services, with about 14 percent related to public safety and 67 percent related to enterprise fund operations.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Governmental Activities

Revenues for the City's governmental activities increased \$96 thousand, or 2.5 percent, while total expenses increased \$572 thousand or 15.5 percent.

Table A-2
Changes in City of Abbeville's Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2007	2008	2007	2008	2007	2008	2007-2008
Revenues							
Program revenues							
Charges for services	\$ 1,903	\$ 2,010	\$ 8,168	\$ 8,300	\$ 10,071	\$ 10,310	2.3%
Grants and contributions	320	260	52	34	372	294	(21)%
General revenues							
Property taxes	1,155	1,167	-	-	1,155	1,167	1%
Other taxes	180	249	-	-	180	249	38.3%
Intergovernmental	177	192	-	-	177	192	8.5%
Other	61	14	657	72	718	86	(88)%
Total revenues	3,796	3,892	8,877	8,406	12,673	12,298	(2.9)%
Expenses							
General government	733	913	-	-	733	913	24.5%
Public safety	1,669	1,852	-	-	1,669	1,852	10.9%
Public works	959	1,007	-	-	959	1,007	5%
Recreation	289	365	-	-	289	365	26.3%
Development	22	189	-	-	22	189	759%
Interest and fiscal charges	14	27	-	-	14	27	92.8%
Enterprise fund	-	-	7,729	8,487	7,729	8,487	9.8%
Total expenses	3,686	4,353	7,729	8,487	11,415	12,840	12.4%
Excess (deficiency) before transfers	110	(461)	1,148	(81)	1,258	(542)	(143)%
Transfers	460	430	(460)	(430)	-	-	0.0%
Increase (decrease) in net assets	\$ 570	\$ (31)	\$ 688	\$ (511)	\$ 1,258	\$ (542)	(143)%

- Property tax revenues decreased approximately \$12 thousand from the prior year primarily due to the reduction in value of personal property.
- Grants and contributions were \$60 thousand less than the prior year in the governmental funds due primarily to housing development grants received in the prior year that were not received in the current year.
- Expenses for governmental activities increased primarily due to increases in housing development projects.

Business-Type Activities

Revenues of the City's business-type activities decreased 5.3 percent to \$8.4 million, while expenses increased 9.8 percent to \$8.5 million. (Refer to Table A-2.) Factors contributing to these results included:

- The sale of land at a gain of \$494 thousand recorded in the prior year.
- Expenses were up primarily due to personnel costs and fuel costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$924 thousand, or 17% above last year. The primary reasons for the governmental fund's increase include transfers from the enterprise fund of \$430 thousand and issuance of capital leases of \$263 thousand.

General Fund Budgetary Highlights

Actual general fund expenditures were \$131 thousand less than budgeted amounts. This is primarily due to a major streetscape project that was budgeted in 2008 but will be completed next year and vehicular equipment budgeted but not received in 2008.

On the other hand, resources available for appropriation were \$78 thousand below the budgeted amount. The following decreases were offset by increases of \$248,000 and \$114,000 in tax revenue and license revenue respectively as well as an increase of \$24,000 in charges for services and an increase of \$6,700 in interest revenue:

- The City budgeted a Streetscape Enhancement Grant for sidewalk construction and improvements in the amount of \$180,000 during the year but will complete the project and receive reimburseable grant funds next year.
- A grant for renovation of a downtown warehouse to be used for public access was budgeted at \$34 thousand but only \$20 thousand of work was completed.
- State fine assessments were budgeted as revenue with police fines. Assessments received are a pass thru to the State of South Carolina. In 2008, \$66 thousand was received by the City, submitted to the State, and netted against the expenditure line item for assessments at the end of the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the City had invested \$15.5 million in a broad range of capital assets, net of depreciation. (See Table A-3.) This amount represents a net decrease (including additions and deductions) of \$336 thousand, or 2 percent, below last year.

Table A-3
City of Abbeville's Capital Assets
(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
Land	\$ 289	\$ 261	\$ 196	\$ 196	\$ 485	\$ 457	(5.7)%
Buildings and improvements	1,386	1,411	12,213	12,213	13,599	13,624	.2%
Infrastructure	1,815	1,834	12,586	12,727	14,401	14,561	1.1%
Machinery and equipment	2,686	2,966	2,283	2,411	4,969	5,377	8.2%
Accumulated depreciation	(3,039)	(3,306)	(14,486)	(15,120)	(17,525)	(18,426)	5.1%
	<u>\$ 3,137</u>	<u>\$ 3,166</u>	<u>\$ 12,792</u>	<u>\$ 12,427</u>	<u>\$ 15,929</u>	<u>\$ 15,593</u>	(2)%

This year's major capital asset additions included:

- The purchase of a garbage truck and related equipment for \$132,000.
- The purchase of a public works boom truck for \$56,000.
- The purchase of police vehicles at a cost of \$110,000.
- The construction of sidewalk improvements in the amount of \$19,000.
- The construction of a playground at a cost of \$14,000.

More detailed information about the City's capital assets is presented in Notes 1 and 5 to the financial statements.

Long-term Debt

At year-end the City had \$6.9 million in bonds, notes payable, and capital lease obligations outstanding as shown in Table A-4. The City repaid \$6,290,000 principal on the 1998 Series Revenue bonds with the issuance of the 2008 Series Revenue bond. The City repaid principal of \$396 thousand on other bonds, notes and capital leases payable during the year. The City also issued new capital leases totaling \$287 thousand.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$543,644.

More detailed information about the City's long-term debt is presented in Note 8 to the financial statements.

Table A-4
City of Abbeville's Outstanding Debt
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
Notes Payable	\$ 401	\$ 364	\$ -	\$ -	\$ 401	\$ 364	(9.2)%
General obligation bonds	-	-	7,029	6,211	7,029	6,211	(11.6)%
Capital lease obligations	219	356	109	57	328	413	25.9%
	<u>\$ 620</u>	<u>\$ 720</u>	<u>\$ 7,138</u>	<u>\$ 6,268</u>	<u>\$ 7,758</u>	<u>\$ 6,988</u>	(9.9)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Unemployment now stands at 9.2 percent. This compares unfavorably with the state's rate of 7.8 percent, and the national rate of 6.5 percent. These indicators along with a number of other economic factors which can be found in the statistical section of this report were considered in preparing the City's budget for the 2009 fiscal year.

Amounts available for appropriation in the general fund budget are \$4.35 million with a decrease of \$171,000 under the final 2008 budget. Increased revenues will come from higher collections due to property tax reassessments, increased collections from the insurance business license program, and a sanitation rate increase. Decreases in revenue from loans and grants will offset the revenue increases. Key expenditures for the year will include the purchase of four new police cars, renovation of the Opera House interior, revitalization of the old Livery Stable on Trinity Street, and the purchase of a new pickup truck for the Public Works Department.

As for the City's business-type activities, the 2009 budget will include water and sewer rate increases that will be effective November 1, 2008, to cover the rising costs of providing services to our customers.

The budget includes an increase of \$139,700 from the previous year final budget. Increases include implementing the next phase of the automated meter reading system, the purchase of a pickup truck for the water and sewer distribution division, a filter assessment study at the water treatment plant, and maintenance on the Maple Street and Standpipe Street elevated water tanks.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Fran Strickland, Finance Director, or visit the City website at <http://abbevillecity.sc.gov>.

BASIC FINANCIAL STATEMENTS

CITY OF ABBEVILLE
STATEMENT OF NET ASSETS
OCTOBER 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 423,532	\$ 331,185	\$ 754,717
Cash and cash equivalents - restricted	-	267,890	267,890
Investments	525,672	704,464	1,230,136
Investments - restricted	-	186,932	186,932
Receivables - net			
Taxes	50,738	-	50,738
Accounts	23,809	1,012,469	1,036,278
Note	-	17,136	17,136
Due from other governments	33,938	-	33,938
Internal balances	338,368	(338,368)	-
Inventories and prepaid items	41,695	617,764	659,459
Bond issuance costs, net	-	74,897	74,897
Capital assets			
Land	261,432	196,535	457,967
Buildings and other improvements	1,410,610	12,213,362	13,623,972
Infrastructure	1,833,704	12,726,924	14,560,628
Equipment	2,966,071	2,410,328	5,376,399
Less accumulated depreciation	(3,306,175)	(15,120,025)	(18,426,200)
Total capital assets, net of depreciation	3,165,642	12,427,124	15,592,766
Total assets	4,603,394	15,301,493	19,904,887
LIABILITIES			
Accounts payable	328,901	614,841	943,742
Unearned revenue	4,688	-	4,688
Accrued expenses	78,156	86,137	164,293
Accrued interest payable	5,254	83,518	88,772
Other liabilities	11,391	141,946	153,337
Long-term liabilities			
Due within one year	166,105	538,135	704,240
Due in more than one year	596,578	5,744,151	6,340,729
Total liabilities	1,191,073	7,208,728	8,399,801
NET ASSETS			
Invested in capital assets, net of related debt	2,445,983	6,159,450	8,605,433
Restricted for			
Debt service	-	231,049	231,049
Capital outlay	-	223,773	223,773
Unrestricted	966,338	1,478,493	2,444,831
Total net assets	\$ 3,412,321	\$ 8,092,765	\$ 11,505,086

The accompanying notes are an integral part of these financial statements.